

Overview of the Transaction

Parties and Structure

FTX Trading and the Seller, DAAG, entered into a stock purchase agreement on the Valuation Date (the “Purchase Agreement”). As part of the Transaction, FTX purchased the remaining 80 percent stake in DAAG. The key parties of the transaction (the “Transaction”) are outlined below:

- Seller: Digital Assets DA AG
- Acquirer: FTX Trading Ltd.

The Transaction was structured as a stock purchase for tax purposes and meets the requirement of a business combination under ASC 805. As such, a step-up in the tax basis of the acquired intangible assets, including goodwill, will occur.

Purchase Price

Total purchase price was comprised of \$166.7 million in cash consideration and contingent consideration of up to \$93.3 million...should certain milestones be achieved. VBA fair valued this component and arrived at a fair value of contingent consideration of \$83.5 million. This resulted in a total consideration paid of the 80

percent interest of \$250.1 million. We note that FTX previously held a minority (20 percent) interest in DAAG. Based on the price paid for the 80 percent interest, the implied minority interest was valued at \$62.5 million. The Transaction was consummated in an arm’s-length basis by knowledgeable, unrelated parties. As such, it is reasonable to presume that the Transaction consideration represents fair value as viewed by a typical market participant. Additional evidence that the Transaction value approximates fair value is indicated by the fact that no additional buyers stepped in at a higher offer. Finally, as the Internal Rate of Return (“IRR”) of the Transaction and the market-participant based Weighted Average Cost of Capital (“WACC”) approximate one another (as discussed in a subsequent section of this report), the transaction value reasonably represents fair value.

Rationale for the Acquisition

FTX Trading acquired certain assets as part of the Transaction:

- Trade Name
- Operating Licenses

FTX Trading is a cryptocurrency brokerage firm that operates in Europe and the Middle East. The primary rationale behind the acquisition of DAAG was to acquire its operating licenses. The Company’s operating licenses allow it to sell public securities as tokens on the blockchain in a broad geographic area, including Cyprus, Switzerland, and Dubai. FTX Trading through this acquisition aims to develop a strong presence in these markets. Furthermore, the Company’s existing business relationships and in-process bank acquisition in Lichtenstein, will further facilitate FTX Trading’s expansion through Europe by smoothing the regulatory processes in the region.

Target Company Overview

Background¹

DAAG is a leading Swiss-based firm focusing on the design, structure, and issuance of tokenized financial instruments. Offering a regulatory compliant, API driven, and scalable infrastructure framework facilitates the creation of novel products for digital clients.

The most relevant asset owned by DAAG are the operating licenses (the “Operating Licenses”), that allows the firm to act as an exchange and a clearing house for cryptocurrency derivatives and other tokenized financial instruments. Below is a description of the Operating Licenses:

Company’s Related Entity	Description
Canco GmbH, Pfäffikon	AML-License in Switzerland
DAAG DMCC, Dubai	Trading License
FTX Europe AG, Pfäffikon	Modulus, Matching engine, Crypto Derivative Exchange
K-DNA FS Ltd, Cyprus	Cycec Trading License
DAAG Certificates GmbH, Herisau	FMA Liechtenstein, Tokenized stocks license

¹ Reference: <https://medium.com/digital-assets-ag/about>

Review of Prospective Financial Information

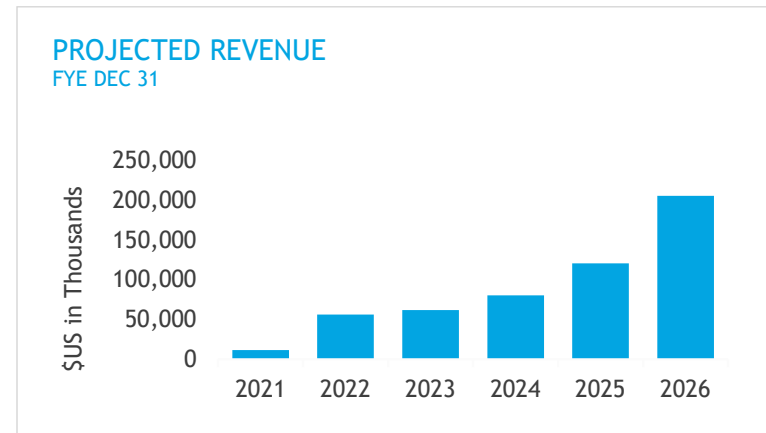
We have evaluated the Prospective Financial Information (“PFI”) was provided by Management and is presented in Appendix VII, Schedules 3 and 4. The PFI for periods between December 31, 2021 and December 31, 2026 was prepared by Management as of the Valuation Date and reflect the anticipated revenue and cash flow to be produced by the Company from the perspective of a hypothetical market participant. Beyond 2026, VBA tapered revenue growth rates down to a normalized level in the terminal year. The projections include the in-process acquisition of a financial institution at the time of the Transaction, the burgeoning cryptocurrency derivatives market as well as the Company’s ability to take advantage of this market in Europe and the Middle East via its Operating Licenses.

In addition to detailed conversations with Management regarding the PFI, BDO performed various analyses to assess the reasonableness of the forecast utilized within the analysis, including:

- Comparing the Company’s historical performance to assumptions included in the PFI; and
- Benchmarked the assumptions in the PFI to relevant industry trends.

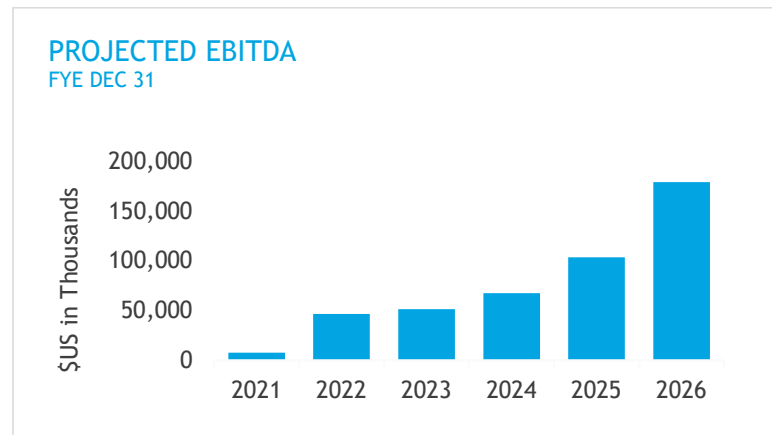
Based on our evaluation, we believe that the PFI is reasonable for business and intangible asset valuation purposes.

Revenue



Total revenue for DAAG was projected to grow from \$11.9 million for the year-ending December 31, 2021 to \$205.7 million by the year-ending December 31, 2026, representing a 6-year CAGR of 60.82 percent. Based on discussions with Management, the projected revenue growth is directly correlated to the rising need for tokenized public securities in the cryptocurrency environment.

Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”)



EBITDA Margin was projected to increase from 64.3 percent of revenue in the year-ending December 31, 2021 to 87.2 percent of revenue by the year-ending December 31, 2026. VBA received historical, unaudited financial statements. The Company maintained steady, profitable EBITDA margins throughout its initial growth phase. EBITDA, as noted in Appendix VII, Schedule 3, is expected to grow steadily during the forecast period as the Company scales.

Capital Expenditures and Depreciation

Capital expenditures (“CapEx”) are made to maintain the proper level of property, plant, and equipment (i.e., not impair normal business operations). The estimated capital expenditures should reflect the capacity necessary for the business to achieve the estimated revenue. Management provided that capital expenditures were to be projected at 1.0 percent of revenue for the discrete projection period. Capital

expenditures were assumed to equal depreciation into perpetuity. The Company’s capital expenditure level fell in line with the Guideline Public Companies (“GPC”) as of the Valuation Date.

DFCFNWC

As revenues increase, businesses generally require incremental investments in working capital. We utilized a normalized DFCFNWC requirements as a percentage of total revenue of 5.4 percent based on an analysis of the GPCs discussed in a following section of the report. Normalized DFCFNWC requirements, based on the Company’s annualized revenues for 2021, were then compared with the Company’s actual DFCFNWC at the Valuation Date to determine if there was a deficiency or excess compared to a market participant. Based on the Company’s balance sheet as of the Valuation Date, we calculated excess DFCFNWC of \$11.7 million.

DFCFNWC forecasts for the projection period were calculated based on a review of the Company’s historical working capital requirements and the requirements of the GPCs. The DFCFNWC level in the terminal year was assumed to equal the same normalized percentage of revenue as the previous year of the projection period.

Tax Rate

The tax rate used in our analysis was 12.0 percent. This effective tax rate was based on a blended federal and canton rate in Switzerland, as provided by Management.

Tax Amortization Benefit

Under Internal Revenue Code Section 197 (enacted in 1993), a taxpayer shall be entitled to an amortization deduction with respect to any amortizable Section 197 intangible asset. The amount of this deduction can be determined by amortizing the adjusted basis of the intangible asset over a 15-year period beginning with the month in which the intangible asset was acquired.

Further, for financial reporting purposes, the fair value standard relative to intangible assets indicates that any income tax benefits due to amortization should be included in the determination of fair value, irrespective of whether a given business combination has been accomplished on a taxable or a tax-free basis (i.e., in an asset deal versus a stock deal). The tax benefits associated with the amortization of the Company's intangible assets are calculated based upon the assumed tax rate, the discount rate and the statutory amortization period.

The fair value of the asset is multiplied by the tax amortization benefit factor to arrive at the total fair value indication for each asset.

External Environment

A valuation of an asset, business, or business interest must consider current and prospective economic and industry conditions that may have an impact on the operations and financial condition of the business.

Economic Conditions & Industry Conditions

In this analysis, we have examined the general economic and industry environment conditions that existed as of the Valuation Date. Appendix V provides an overview of selected economic and industry factors that prevailed as of the Valuation Date, as well as a discussion of the factors that are crucial over an extended period of time.

Improving macroeconomic conditions over the five years to 2026 are also expected to lead corporate profit and research and development expenditures to increase an annualized 2.6 percent and 3.1 percent, respectively, over the five years to 2026. These trends are expected to lead to increased demand for industry operators such as Ledger. In fact, exchanges are expected to continue to focus on expanding their high-margin derivatives trading platforms, which will increase trading volume during the five-year period as investor preference for these asset classes grows.

Additional relevant factors are growth in personal savings and shifting preferences should support trade volume of cryptocurrencies over the

five years to 2026. As of the Valuation Date, regulatory changes for this industry still uncertain.

Overall, the macroeconomic trends and industry outlook appears to represent a positive environment in which the Company can achieve its goals.

Derivation of Rates of Return

Valuation theory states that the value of an asset is the present value of its expected cash flows discounted at an appropriate cost of capital. The discount rate refers to the rate of return that a prudent investor would require in the purchase of an interest in a given company or its assets. It is also a general term that is used to describe a rate of return used to convert a monetary sum payable or receivable in the future into present value. In economic terms, it represents the opportunity cost, or expected rate of return, that an investor would have to forego by investing in a particular investment instead of in available alternative investments that are comparable in terms of their risk profiles and other pertinent characteristics.

In our determination of the appropriate discount rates to apply to the specific intangible assets valued herein, we gave consideration to the discount rate implied by the transaction and a discount rate that would be reasonably assumed by a market participant.

Discount Rate Implied by the Transaction

The Internal Rate of Return (“IRR”) implied by the total consideration paid in the transaction can be used as a starting point in determining

the appropriate discount rates for the subject intangible assets. The IRR reconciles the financial forecasts that were used as the basis for the transaction to the total purchase consideration paid.

We have employed an income approach, utilizing a Discounted Cash Flow (“DCF”) methodology based upon PFI provided by Management to determine the overall after-tax discount rate implied by the Transaction. The DCF analysis resulted in an IRR of 38.0 percent. (Appendix VII, Schedule 5) Cash and cash equivalents of approximately \$19.1 million and excess working capital of approximately \$11.7 million were added to the sum of the present value of cash flows to form our overall opinion for the IRR.

In the analysis, we have discounted the projected net cash flows back to their present value using a mid-year discounting convention. The use of mid-year discounting factors better reflects the assumption that net cash flows will be generated evenly throughout the year, rather than at the beginning or end of the year. The terminal value, which is assumed to be at the beginning of the period immediately following the discrete projection period, has been discounted back to the present value by the same number of years as the last term of the discrete projection period.²

Weighted Average Cost of Capital

A market based Weighted Average Cost of Capital was derived as a benchmark for consideration relative to the discount rate implied by the transaction. The discount rate comprises two components:

² *Valuing a Business*, Shannon P. Pratt, Robert Reilly, Robert P. Schweih; published by McGraw-Hill.

- i. *Time Value of Money - Time value of money deals with the concept that \$1 received today is worth more to an investor than \$1 received at some future date. This is attributable to the foregoing of the use of funds over the holding period, as well as an expected rate of inflation over the holding period. It must be understood that time value of money in no way deals with risk. It is further assumed that a prudent investor will always choose \$1 in-hand versus the guarantee of \$1 in the future because the investor can invest this in-hand dollar at some rate of return.*
- ii. *Risk - Risk is defined in terms of financial structure (financial risk) and in terms of a company's markets (business risk). Financial risk refers to the possibility of bankruptcy and the variability of the returns to equity investors due to the amount of debt. Business risk refers to the variability of earnings from the company's operations.*

The rate of return expected by a prudent investor from an investment is, therefore, related to the perceived risk stemming from:

- i. *The general level of interest rates;*
- ii. *A premium for perceived financial risk; and*
- iii. *A premium for perceived business risk.*

Generally, academic studies have shown that stockholders expect to receive a premium over a risk-free rate of return as evidenced by the return on U.S. government bonds. Small market capitalization stocks command an additional premium. For a particular company, the risk-free rate is adjusted by a factor called beta, which relates the general market premia to the specific risks associated with the Company.

The estimates of cash flows developed in this analysis are presented on a debt-free basis, representing the cash flow available to both debt and equity investors. Accordingly, the discount rate applied to the cash flows is based upon a market-based Weighted Average Cost of Capital ("WACC"), which is an estimate of the after-tax rate of return required by debt and equity investors of the business enterprise.

DAAG's cost of equity capital and cost of debt capital were developed based on data and factors relevant to the economy, the industry, and the Company, as of the Valuation Date. These costs were then weighted in terms of a typical industry or market participant capital structure to determine the WACC.

WACC	=	$(W_d)(K_d) + (W_e)(K_e)$
where W_d	=	Weighting of debt to total capital
K_d	=	After-tax cost of debt capital
W_e	=	Weighting of equity to total capital
K_e	=	Cost of equity capital

Cost of Debt (K_D)

The rate of return on debt capital (K_d) is the incremental average borrowing cost that a market participant would expect to pay to finance the capital structure would expect to pay to obtain debt financing based on the assumed capital structure. The effective cost of debt is the after-tax cost since interest expense is tax deductible. The after-tax cost of debt is calculated as follows:

$$K_d = \text{Selected pre-tax interest rate} \times (1 - T)$$

$$\text{where } K_d = \text{After-tax cost of debt (effective cost)}$$

$$T = \text{Tax rate for the Company}$$

For DAAG, the pre-tax cost of debt is based on the yield of Baa rated corporate bonds, as rated by Moody's credit rating agency, as of the Valuation Date of 3.3 percent. A tax rate of 12.0 percent was selected based on information provided by Management. The after-tax cost of debt for Ledger Holdings was 2.9 percent.

Cost of Equity (K_E)

The cost of equity, or required return on equity, was determined using the Modified Capital Asset Pricing Model ("CAPM").

The CAPM uses a risk-free rate of return and an appropriate market risk premium for equity investments. The traditional CAPM does not consider business size risk or unsystematic risk. These risks can be considered by adding risk premiums for size and business specific (unsystematic) risks. The CAPM equation, modified to account for business size risk and unsystematic risk, is as follows:

$$K_e = R_f + B_e (R_m - R_f) + SP + CSRP$$

Guideline Public Companies/Market Participants

As part of the analysis and to estimate certain market-based inputs to the CAPM, information on potential GPCs was gathered using Capital IQ. We researched companies operating in the Security and Commodity Exchanges industry. A GPC was considered a comparable company if the following search criteria were met:

Company Type: Public Company;

Primary Industry Classification of Company: "Security and Commodity Exchanges";

Primary Geographic Location of Company: United States and Canada; and

Business description considered reasonably similar to that of the Company, i.e. operates within the cryptocurrency industry.

A total of 11 GPCs were chosen based on our search criteria. Financial data and a brief description of each of these GPCs are summarized in Appendix 3 through 4.

Risk-free Rate (R_f)

The risk-free rate of return is represented by the yield on 20-year U.S. Treasury constant maturities. As of the Valuation Date, the risk-free rate was 2.0 percent.

Re-Levered Beta (B_E)

Beta is a measure of systematic risk and is expressed as a function of the relationship between the *excess return* on an individual security and the return on the market as measured by a broad index such as the Standard & Poor's 500 Stock Composite Index ("S&P 500"). For the market as a whole, the beta, by definition, is equal to 1.0. For the purpose of this analysis, we have utilized the five-year monthly adjusted, levered betas regressed against the S&P 500 index as reported by Capital IQ evidenced by the GPCs. These betas were unlevered using the respective GPC's historical 5-year capital structure prior to the Valuation Date to determine the unlevered betas and ultimately selected a capital structure of 12.5 percent debt.

Published betas can be referred to as *levered* betas because they reflect the financial leverage of a company's capital structure. In the course of this analysis, it is necessary to adjust the betas of the GPCs to reflect the selected capital structure of the Company. This adjustment is performed by calculating *unlevered* betas for the GPCs.

The unlevered beta removes the effects of debt from the capital structure to reflect a required return on an investment when the investment is financed entirely by equity. We then calculated the re-levered beta by incorporating the selected capital structure into the equation. The resulting beta of 1.20 is thus market-based with a specific adjustment for the degree of financial leverage of the Company.

Equity Risk Premium ($R_M - R_F$)

The equity risk premium ("ERP") is the expected return of the market (R_M) in excess of the risk-free rate (R_F), or, mathematically, $R_M - R_F$, and reflects the incremental premium realized by investors in representative common stocks above the historical return of long-term government bonds that represent risk-free investments.

The ERP is depicted in a study published by Duff & Phelps in the 2021 Valuation Handbook - Guide to Cost of Capital (the "D&P Handbook"). As described in the D&P Handbook, the annual returns in excess of the historical risk-free rate for investments in the publicly traded common stocks of large U.S. companies³ during the years 1926-2020 was 6.0 percent (based on supply-side). This return is on a supply-side basis where the "supply" of stock market returns is a function of inflation, income returns and three-year average earnings. Growth in price / earnings ("PE") ratios is excluded from this calculation of returns as the rise in PE ratios from 1980 through 2001 caused a distortion of historical returns. The D&P Handbook calculates another measure of the ERP, the historical equity risk premium, as the large company total stock returns less long-term government bond income returns, or 7.25 percent.

We ultimately selected the 6.0 percent supply-side equity risk premium as the most appropriate measure of the forward-looking ERP, as it represents the anticipated future ERP, rather than a historical measure of the ERP.

³ As measured by deciles 1 and 2 of the D&P Handbook (largest U.S. companies).

Size Premium (SP)

The SP is often used in conjunction with the CAPM because many studies have shown that small capitalization equity securities outperform large capitalization equity securities, even after adjusting for the systematic risk (beta) of small stocks. These studies suggest that additional risk is related to small capitalization equity securities beyond that explained by the CAPM. Although the betas tend to be greater than those of large capitalization equity securities, they do not account for all of the risks faced by investors in small equity securities. Accordingly, we have selected and included a SP of approximately 5.0 percent based on companies in decile 10 as reported by the 2021 Valuation Handbook, published by Duff & Phelps.

Company Specific Risk Premium (CSRP)

An adjustment must also be made for the “company-specific risk.” In our judgment, an investor would require an additional return above the aforementioned equity and small company risk premiums in order to be appropriately compensated for the risks associated with an investment in an entity such as the Company. In general, this considers factors such as geographic scope, diversity of product lines, customer concentration, depth of Management, financial strength, legal and regulatory landscape, perceived risk in achieving projections, and other company-specific factors relative to the chosen GPCs. The company specific risk premium has been determined to be 28.0 percent. This premium is based on the risk of achieving the projections. We note the projections are significant and represent a significant improvement in the performance of the target company. Furthermore, we note the target is operating in a segment where the underlying asset class is relatively new and extremely volatile.

Capital Structure

The cost of equity and cost of debt was then weighted using a capital structure of 87.5 percent equity and 12.5 percent debt, consistent with the median capital structure exhibited by the selected guideline companies.

WACC Conclusion

Based on the preceding analysis of each of the components, the concluded WACC for the Company was calculated as follows:

WACC	=	$(W_d)(K_d) + (W_e)(K_e)$
WACC	=	$(12.5\%) (2.9\%) + (87.5\%) (42.2\%)$
WACC	=	37.3%
WACC (Rounded)	=	37.5%

Appendix VII, Schedule 6 present further details of the WACC development.

Discount Rate Derivation - Subject Assets

The valuation of intangible assets is distinctly different from the discounted cash flow valuations that are typically used to value corporations. This is due to the fact that corporate valuations involve discounting the cash flows at the aggregate corporate level, while the valuation of intangible assets considers discounting future earnings or expected cost savings to be generated by the exploitation of particular

assets. Because the risk profiles of these intangible asset benefit streams are likely to be different from the risk profile of the aggregate corporate cash flows, this makes the determination of an appropriate discount rate for intangible assets valuations challenging.

Based on an evaluation of the relative risks associated with the company being valued, operational cash flows are discounted at the weighted average cost of capital with a primary objective of achieving an optimal return on invested capital. As such, the WACC provides an indication of value for the business in its entirety, both tangible and intangible assets.

Accordingly, the WACC might require the application of analysis and judgment to arrive at a discount rate to apply to the disaggregated level of cash flows associated with individual intangible assets. In arriving at appropriate discount rates for intangible assets, a host of variables are considered, including the relative risks of each asset and the facts and circumstances surrounding the exploitation of those assets in the underlying business. Riskier assets such as new technologies may require a discount rate that exceeds the WACC, while a less risky asset may be discounted at a rate at or below the WACC. When making such assessments, it is important to give consideration to the Company's overall WACC (and IRR), because the various discount rates applied to each intangible asset should be such that the overall discount rate can be reconciled to the WACC or IRR.

It is also important that the value derived for a particular intangible asset is considered in the broader context of the values of other assets within the same business and their relative importance to that business as well as the value of the business in its entirety. These precepts comprise the fundamental objective of the WARA. WARA and the reconciliation of the various discount rates applied to each intangible

asset to WACC or IRR is discussed in greater detail in the Test of Reasonableness section of this report.

Discount Rate Selection

In determining the appropriate discount rates to apply to the specific intangible assets valued herein, we gave consideration to the preceding concepts. A market based WACC was derived as a benchmark for consideration relative to the discount rate implied by the Transaction. Accordingly, the specific discount rates applied to the earnings attributable to the intangible assets is that rate which, when considered in conjunction with the rates attributable to all other assets and their relative contributions to the total consideration, results in a weighted average rate consistent with conclusions indicated by the WARA.

Subject Assets Acquired - Intangible

Definition of Intangible Assets

Intangible assets are all the elements of a business enterprise that exist in addition to working capital and tangible assets. They are the elements, after working capital and tangible assets that make the business “work” and are often the primary contributors to the earning power of the enterprise.

An intangible asset shall be recognized as an asset apart from goodwill if it arises from contractual or other legal rights or if it is separable, that is, it is capable of being separated or divided from the acquired business and sold, transferred, licensed, rented or exchanged (regardless if there is intent to do so). An asset arising from contractual or other legal rights shall be recognized regardless of whether those rights are transferable or not from the acquired business. An assembled workforce is to be categorized as part of goodwill. The allocation of cost need only be applied to assets that have material value in relation to the overall cost of the acquisition.

ASC 805 provides the following list as examples of intangible assets that meet the criteria for recognition apart from goodwill:

- i. Marketing-related intangible assets
 - a. Trademarks, trade names
 - b. Service marks, collective marks, certification marks
 - c. Trade dress (unique color, shape or package design)
 - d. Newspaper mastheads
 - e. Internet domain names
 - f. Noncompetition agreements
- ii. Customer-related intangible assets
 - a. Customer lists
 - b. Order or production backlog
 - c. Customer contracts and related customer relationships
 - d. Non-contractual customer relationships
- i. Artistic-related intangible assets
 - a. Plays, operas, ballets
 - b. Books, magazines, newspapers, other literary works
 - c. Musical works such as compositions, song lyrics, advertising jingles
 - d. Pictures, photographs
 - e. Video and audiovisual material, including motion pictures, music videos, television programs
- iii. Contract-based intangible assets
 - a. Licensing, royalty, standstill agreements
 - b. Advertising, construction, management, service or supply contracts
 - c. Lease agreements
 - d. Construction permits
 - e. Franchise agreements
 - f. Operating and broadcast rights
 - g. Use rights such as drilling, water, air, mineral, timber cutting, and route authorities

Valuation Methodology

There are three traditional valuation approaches that can be used to develop an indication of value for an asset: (i) cost approach; (ii) market approach; and (iii) income approach. Within these three basic approaches, several methods may be used to estimate value. An overview of these approaches and methods follow:

Cost Approach

The cost approach measures the benefits related to an asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being analyzed provide less utility than new assets, the reproduction or replacement cost would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence.

The Replacement Cost Method of the cost approach provides an indication of value based on the cost of replacing the asset with one with the same usefulness and comparable structure, less depreciation from physical deterioration and functional and economic obsolescence, if evident and measurable. Similarly, the Reproduction Cost Method applies the same principals based on the cost of producing an exact duplicate of the asset at today's costs.

Market Approach

The market approach determines a value indication for a business, business ownership interest, security, or intangible asset by comparing the subject to similar assets that have been sold. This approach, however, requires the availability of data from transactions involving

similar assets. Given that intangible assets are generally unique to each business, directly comparable data may be difficult or unavailable for such assets. However, market data may be used to estimate the income stream that might reasonably be expected to be generated from a particular asset such as technology or a trademark or trade name.

Income Approach

The income approach is a way of determining the value of a business enterprise, business ownership interest, security or asset using one or more methods that convert anticipated economic benefits into value. The income approach is commonly used because it captures expected future returns to the owner and because it is able to estimate value for unique assets when market transaction data is not available. Methods under the income approach determine an asset's most likely future benefit stream which is then discounted to present value with an appropriate risk-adjusted discount rate.

There are several methods available under the income approach to quantify fair value for a given asset. Some of the more common methods include the following:

- The Relief from Royalty Method is based on the assumption that, in lieu of ownership of an intangible asset, a company would be willing to pay a royalty in order to enjoy the benefits of the asset. Under this method, value is estimated by discounting the hypothetical royalty payments to their present value over the economic life of the asset.
- The Multi-Period Excess Earnings Method ("MPEEM") estimates the value of an intangible asset by quantifying the amount of

residual (or excess) cash flows generated by the asset, and discounting those cash flows to the present. The method substantially resembles a “traditional” financial projection for a company, which includes revenues, costs of goods sold, operating expenses, and taxes projected for the next several years based on reasonable assumptions. Unlike a traditional financial projection, however, the excess earnings methodology requires the application of contributory asset charges. These charges represent the return on and of all contributory assets, and are applied in order to estimate the “excess” earnings generated by the subject intangible asset. Contributory asset charges typically include payments for the use of working capital, tangible assets, and other intangible assets.

- The With or Without Method estimates the value of an intangible asset by quantifying the loss of economic profits under a hypothetical condition where only the subject intangible asset does not exist and needs to be re-created. The projected revenues, operating expenses, and cash flows are calculated in each “with” and “without” scenario, and the difference in the annual cash flows (i.e., the lost profit) is then discounted to the present to derive an indication of value for the asset.

Selected Approaches

The Subject Assets valued herein include the DAAG trade name and operating licenses. Although not considered a recognizable intangible asset, we have valued the Company’s assembled workforce acquired in the Transaction for purposes of applying required returns to this contributory asset. Additionally, goodwill has been valued herein by

way of a residual method. Please refer to the table below for the methodologies selected for determining the fair value of the Subject Assets:

Subject Assets	Methodology
Trade Names and Trademarks	Relief from Royalty Method
Operating Licenses	MPEEM